Union Calendar No. 287

110TH CONGRESS 1ST SESSION

H. R. 2930

[Report No. 110-463]

To amend section 202 of the Housing Act of 1959 to improve the program under such section for supportive housing for the elderly, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

June 28, 2007

Mr. Mahoney of Florida introduced the following bill; which was referred to the Committee on Financial Services

DECEMBER 4, 2007

Additional sponsors: Ms. Ginny Brown-Waite of Florida, Ms. Clarke, Mr. Emanuel, Mr. Frank of Massachusetts, Mrs. Christensen, Mr. Grijalva, Mr. Welch of Vermont, Ms. Schakowsky, Mr. Sires, Ms. Waters, Mr. Lynch, Mrs. Biggert, Mr. McNerney, Mr. Baca, and Mr. Wexler

DECEMBER 4, 2007

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on June 28, 2007]

A BILL

To amend section 202 of the Housing Act of 1959 to improve the program under such section for supportive housing for the elderly, and for other purposes.

- 1 Be it enacted by the Senate and House of Representa-
- 2 tives of the United States of America in Congress assembled,
- 3 SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.
- 4 (a) Short Title.—This Act may be cited as the "Sec-
- 5 tion 202 Supportive Housing for the Elderly Act of 2007".
- 6 (b) Table of Contents for
- 7 this Act is as follows:
 - Sec. 1. Short title and table of contents.

TITLE I—NEW CONSTRUCTION REFORMS

- Sec. 101. Project rental assistance.
- Sec. 102. Selection criteria.
- Sec. 103. Development cost limitations.
- Sec. 104. Owner deposits.
- Sec. 105. Definition of private nonprofit organization.
- Sec. 106. Preferences for homeless elderly.

TITLE II—REFINANCING

- Sec. 201. Approval of prepayment of debt.
- Sec. 202. Sources of refinancing.
- Sec. 203. Use of unexpended amounts.
- Sec. 204. Use of project residual receipts.
- Sec. 205. Additional provisions.

TITLE III—ASSISTED LIVING FACILITIES

- Sec. 301. Definition of assisted living facility.
- Sec. 302. Monthly assistance payment under rental assistance.

TITLE IV—FACILITATING AFFORDABLE HOUSING PRESERVATION TRANSACTIONS

Sec. 401. Use of sale or refinancing proceeds.

8 TITLE I—NEW CONSTRUCTION

9 **REFORMS**

- 10 SEC. 101. PROJECT RENTAL ASSISTANCE.
- 11 Paragraph (2) of section 202(c) of the Housing Act of
- 12 1959 (12 U.S.C. 1701q(c)(2)) is amended—

1	(1) by inserting after "ASSISTANCE.—" the fol-
2	lowing: "(A) Initial project rental assistance
3	CONTRACT.—";
4	(2) in the last sentence, by striking "may" and
5	inserting "shall"; and
6	(3) by adding at the end the following new sub-
7	paragraph:
8	"(B) Renewal of and increases in contract
9	AMOUNTS.—
10	"(i) Expiration of contract term.—
11	Upon the expiration of each contract term, the
12	Secretary shall adjust the annual contract
13	amount to provide for reasonable project costs,
14	and any increases, including adequate reserves,
15	supportive services, and service coordinators, ex-
16	cept that any contract amounts not used by a
17	project during a contract term shall not be avail-
18	able for such adjustments upon renewal.
19	"(ii) Emergency situations.—In the
20	event of emergency situations that are outside the
21	control of the owner, the Secretary shall increase
22	the annual contract amount, subject to reason-
23	able review and limitations as the Secretary
24	shall provide.".

1 SEC. 102. SELECTION CRITERIA.

2	Subsection (f) of section 202 of the Housing Act of
3	1959 (12 U.S.C. 1701q(f)) is amended—
4	(1) by striking "Selection Criteria.—" and
5	inserting "Initial Selection Criteria and Proc-
6	Essing.—(1) Selection criteria.—";
7	(2) by redesignating paragraphs (1), (2), (3),
8	(4), (5), (6), and (7) as subparagraphs (A), (B), (C),
9	(D), (E), (G), and (H), respectively;
10	(3) by inserting after subparagraph (E) (as so
11	redesignated by paragraph (2) of this subsection) the
12	following new subparagraph:
13	"(F) the extent to which the applicant has en-
14	sured that a service coordinator will be employed or
15	otherwise retained for the housing, who has the mana-
16	gerial capacity and responsibility for carrying out
17	the actions described in subparagraphs (A) and (B)
18	of subsection $(g)(2)$;"; and
19	(4) by adding at the end the following new para-
20	graph:
21	"(2) Delegated Processing.—
22	"(A) In issuing a capital advance under this
23	subsection for any project for which financing for the
24	purposes described in the last two sentences of sub-
25	section (b) is provided by a combination of a capital
26	advance under subsection $(c)(1)$ and sources other

1	than this section, within 30 days of award of the cap-
2	ital advance, the Secretary shall delegate review and
3	processing of such projects to a State or local housing
4	agency that—
5	"(i) is in geographic proximity to the prop-
6	erty;
7	"(ii) has demonstrated experience in and
8	capacity for underwriting multifamily housing
9	loans that provide housing and supportive serv-
10	ices;
11	"(iii) may or may not be providing low-in-
12	come housing tax credits in combination with
13	the capital advance under this section; and
14	"(iv) agrees to issue a firm commitment
15	within 12 months of delegation.
16	"(B) The Secretary shall retain the authority to
17	process capital advances in cases in which no State
18	or local housing agency has applied to provide dele-
19	gated processing pursuant to this paragraph or no
20	such agency has entered into an agreement with the
21	Secretary to serve as a delegated processing agency.
22	"(C) An agency to which review and processing
23	is delegated pursuant to subparagraph (A) may assess
24	a reasonable fee which shall be included in the capital
25	advance amounts and may recommend project rental

2 ed by the Secretary. The Secretary shall develop a 3 schedule for reasonable fees under this subparagraph 4 to be paid to delegated processing agencies, which

assistance amounts in excess of those initially award-

- 5 shall take into consideration any other fees to be paid
- 6 to the agency for other funding provided to the project
- 7 by the agency, including bonds, tax credits, and other
- 8 gap funding.

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- 9 "(D) Under such delegated system, the Secretary 10 shall retain the authority to approve rents and devel-11 opment costs and to execute a capital advance within 12 60 days of receipt of the commitment from the State 13 or local agency. The Secretary shall provide to such 14 agency and the project sponsor, in writing, the rea-15 sons for any reduction in capital advance amounts or 16 project rental assistance and such reductions shall be
- 18 SEC. 103. DEVELOPMENT COST LIMITATIONS.

subject to appeal.".

- 19 Section 202(h)(1) of the Housing Act of 1959 (12
- 20 U.S.C. 1701q(h)(1)) is amended, in the matter preceding
- 21 subparagraph (A), by inserting "reasonable" before "devel-
- 22 opment cost limitations".
- 23 SEC. 104. OWNER DEPOSITS.
- Section 202(j)(3)(A) of the Housing Act of 1959 (12)
- 25 U.S.C. 1701q(j)(3)(A)) is amended by inserting after the

1 period at the end the following: "Such amount shall be used only to cover operating deficits during the first three years 3 of operations and shall not be used to cover construction 4 shortfalls or inadequate initial project rental assistance 5 amounts.". SEC. 105. DEFINITION OF PRIVATE NONPROFIT ORGANIZA-7 TION. Subparagraph (B) of section 202(k)(4) of the Housing 8 Act of 1959 (12 U.S.C. 1701q(k)(4)(B)) is amended by inserting before the semicolon the following: "; except that, in the case of any national organization that is the owner of multiple housing projects assisted under this section, the 12 organization may comply with clause (i) of this subparagraph by having a local advisory board to the governing board of the organization the membership which is selected in the manner required under clause (i)". 16 SEC. 106. PREFERENCES FOR HOMELESS ELDERLY. 18 Subsection (j) of section 202 (12 U.S.C. 1701q(j)) is amended by adding at the end the following new paragraph: 19 20 "(9) Preferences for homeless elderly.— 21 The Secretary shall permit an owner of housing as-22 sisted under this section to establish for, and apply to, 23 the housing a preference in tenant selection for the 24 homeless elderly, either within the application or after

selection pursuant to subsection (f), but only if—

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1	"(A) such preference is consistent with
2	paragraph (2) of this subsection; and
3	"(B) the owner demonstrates that the sup-
4	portive services identified pursuant to subsection
5	(e)(4), or additional supportive services to be
6	made available upon implementation of the pref-
7	erence, will meet the needs of the homeless elder-
8	ly, maintain safety and security for all tenants,
9	and be provided on a consistent, long-term, and
10	economical basis.".
11	TITLE II—REFINANCING
12	SEC. 201. APPROVAL OF PREPAYMENT OF DEBT.
13	Subsection (a) of section 811 of the American Home-
14	ownership and Economic Opportunity Act of 2000 (12
15	U.S.C. 1701q note) is amended—
16	(1) in the matter preceding paragraph (1), by
17	inserting ", for which the Secretary's consent to pre-
18	payment is required" after "Act)";
19	(2) in paragraph (1)—
20	(A) by inserting "project-based" before
21	"rental assistance payments contract";
22	(B) by inserting "project-based" before
23	"rental housing assistance programs"; and

1	(C) by inserting ", or any successor project-
2	based rental assistance program," after
3	"1701s))"; and
4	(3) in paragraph (2)—
5	(A) by inserting "(A)" before "a lower";
6	and
7	(B) by inserting before the period at the end
8	the following: ", or (B) a transaction in which
9	the project owner will address the physical needs
10	of the project, but only if, as a result of the refi-
11	nancing (i) the rent charges for unassisted fami-
12	lies residing in the project do not increase or
13	such families are provided rental assistance
14	under a senior preservation rental assistance
15	contract for the project pursuant to subsection
16	(e), and (ii) the overall cost for providing rental
17	assistance under section 8 for the project (if any)
18	does not increase".
19	SEC. 202. SOURCES OF REFINANCING.
20	The last sentence of section 811(b) of the American
21	Homeownership and Economic Opportunity Act of 2000
22	(12 U.S.C. 1701q note) is amended—
23	(1) by inserting after "National Housing Act,"
24	the following: "or approving the standards used by
25	authorized lenders to underwrite a loan refinanced

1	with risk sharing as provided by section 542 of the
2	Housing and Community Development Act of 1992
3	(12 U.S.C. 1701 note),"; and
4	(2) by striking "may" and inserting "shall".
5	SEC. 203. USE OF UNEXPENDED AMOUNTS.
6	Subsection (c) of section 811 of the American Home-
7	ownership and Economic Opportunity Act of 2000 (12
8	U.S.C. 1701q note) is amended—
9	(1) in the matter preceding paragraph (1), by
10	inserting after "tenants," the following: "or is used in
11	the provision of affordable rental housing and related
12	social services for elderly persons by the private non-
13	profit organization project owner, private nonprofit
14	organization project sponsor, or private nonprofit or-
15	ganization project developer,";
16	(2) in paragraph (1), by striking "not more than
17	15 percent of";
18	(3) in paragraph (2), by inserting before the
19	semicolon the following; ", including reducing the
20	number of units and reconfiguring units that are
21	functionally obsolete, unmarketable, or not economi-
22	cally viable";
23	(4) in paragraph (3), by striking "or" at the
24	end;

1	(5) in paragraph (4) by striking the period at
2	the end and inserting a semicolon; and
3	(6) by adding at the end the following new para-
4	graphs:
5	"(5) the payment to the project owner, sponsor,
6	or third party developer of a developer's fee in an
7	amount not to exceed—
8	"(A) in the case of a project refinanced
9	through a State low income housing tax credit
10	program, the fee permitted by the low income
11	housing tax credit program as calculated by the
12	State program as a percentage of acceptable de-
13	velopment cost as defined by that State program;
14	or
15	"(B) in the case of a project refinanced
16	through any other source of refinancing, 15 per-
17	cent of the acceptable development cost; or
18	"(6) the payment of equity, if any, to—
19	"(A) in the case of a sale, to the seller or
20	the sponsor of the seller, in an amount equal to
21	the lesser of the purchase price or the appraised
22	value of the property, as each is reduced by the
23	cost of prepaying any outstanding indebtedness
24	on the property and transaction costs of the sale;
25	or

1	"(B) in the case of a refinancing without
2	the transfer of the property, to the project owner
3	or the project sponsor, in an amount equal to the
4	difference between the appraised value of the
5	property less the outstanding indebtedness and
6	total acceptable development cost.
7	For purposes of paragraphs (5)(B) and (6)(B), the term
8	'acceptable development cost' shall include, as applicable,
9	the cost of acquisition, rehabilitation, loan prepayment, ini-
10	tial reserve deposits, and transaction costs.".
11	SEC. 204. USE OF PROJECT RESIDUAL RECEIPTS.
12	Paragraph (1) of section 811(d) of the American
13	Homeownership and Economic Opportunity Act of 2000
14	(12 U.S.C. 1701q note) is amended—
15	(1) by striking "not more than 15 percent of";
16	and
17	(2) by inserting before the period at the end the
18	following: "or other purposes approved by the Sec-
19	retary".
20	SEC. 205. ADDITIONAL PROVISIONS.
21	Section 811 of the American Homeownership and Eco-
22	nomic Opportunity Act of 2000 (12 U.S.C. 1701q note) is
23	amended by adding at the end the following new sub-
24	sections:

1	"(e) Senior Preservation Rental Assistance
2	Contracts.—Notwithstanding any other provision of law,
3	in connection with a prepayment plan for a project ap-
4	proved under subsection (a) by the Secretary or as otherwise
5	approved by the Secretary, to prevent displacement of elder-
6	ly residents of the project in the case of refinancing or re-
7	capitalization and to further preservation and affordability
8	of such project, at the election of the private nonprofit orga-
9	nization owner of the project, the Secretary shall provide
10	project-based rental assistance for the project under a senior
11	preservation rental assistance contract, as follows:
12	"(1) Assistance under the contract shall be made
13	available to the private nonprofit organization
14	owner—
15	"(A) for a term of at least 20 years, subject
16	to annual appropriations, and
17	"(B) under the same rules governing
18	project-based rental assistance made available
19	under section 8 of the Housing Act of 1937.
20	"(2) Any projects for which a senior preservation
21	rental assistance contract is provided shall be subject
22	to a use agreement to ensure continued project afford-
23	ability having a term of the longer of (A) the term
24	of the senior preservation rental assistance contract,
25	or (B) such term as is required by the new financing.

"(f) Mortgage Sale Demonstration.—

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"(1) In General.—The Secretary may sell mortgages associated with loans made under section 202 of the Housing Act of 1959 (as in effect before the enactment of the Cranston-Gonzalez National Affordable Housing Act) in accordance with the relevant terms for sales of subsidized loans on multifamily housing projects under section 203 of the Housing and Community Development Amendments of 1978 (12 U.S.C. 1701z-11). For the purpose of demonstrating the efficiency, effectiveness, quality, and timeliness of asset management and regulatory oversight of certain portfolios of such mortgages by State housing finance agencies, the Secretary shall carry out a demonstration program, in not more than three States, to sell portfolios of such mortgages to State housing finance agencies for a price not to exceed the unpaid principal balances of such mortgages and otherwise in accordance with the requirements of such section 203.

- "(2) Limitations.—In carrying out the demonstration program, the Secretary shall—
- 23 "(A) prohibit State housing finance agen-24 cies from giving preference to, or conditioning 25 the approval of, awards of subordinate debt

funds, allocations of tax credits, or tax exempt
bonds based on the use of financing for the first
mortgage that is provided by such State housing
finance agency; and

- "(B) require such agencies to allow refinancing or prepayment of loans made under section 202 of the Housing Act of 1959 with a loan selected by the owners, except that any use restrictions on the property for which the loan was made shall remain in effect for the duration provided under the original terms of such loan.
- "(g) Subordination or Assumption of Existing
 13 Debt.—In lieu of prepayment under this section of the in14 debtedness with respect to a project, the Secretary may ap15 prove—
 - "(1) in connection with new financing for the project, the subordination of the loan for the project under section 202 of the Housing Act of 1959 (as in effect before the enactment of the Cranston-Gonzalez National Affordable Housing Act) and the continued subordination of any other existing subordinate debt previously approved by the Secretary to facilitate preservation of the project as affordable housing, or
 - "(2) the assumption (which may include the subordination described in paragraph (1)) of the loan for

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1	the project under such section 202 in connection with
2	the transfer of the project with such a loan to a pri-
3	vate nonprofit organization.
4	"(h) Flexible Subsidy Debt.—The Secretary shall
5	waive the requirement that debt for a project pursuant to
6	the flexible subsidy program under section 201 of the Hous-
7	ing and Community Development Amendments of 1978 (12
8	U.S.C. 1715z-1a) be prepaid in connection with a prepay-
9	ment, refinancing, or transfer under this section of a project
10	if such waiver is necessary for the financial feasibility of
11	the transaction and is consistent with the long-term preser-
12	vation of the project as affordable housing.
13	"(i) Prepayment When Secretary's Consent Not
14	Required.—In connection with the prepayment under this
15	section of a loan for which the Secretary's consent to pre-
16	payment is not required, at the project owner's election—
17	"(1) all tenants of the project shall be eligible for
18	enhanced vouchers in accordance with section $8(t)$ of
19	the United States Housing Act of 1937 (42 U.S.C.
20	1437f(t)); or
21	"(2) if the project will continue to be owned by
22	a private nonprofit organization owner, such private
23	nonprofit organization owner may enter into a senior
24	preservation rental assistance contract with the Sec-
25	retary in accordance with subsection (e).

1	"(j) Definition of Private Nonprofit Organiza-
2	TION.—For purposes of this section, the term 'private non-
3	profit organization' has the meaning given such term in
4	section 202(k) of the Housing Act of 1959 (12 U.S.C.
5	1701q(k)).".
6	TITLE III—ASSISTED LIVING
7	FACILITIES
8	SEC. 301. DEFINITION OF ASSISTED LIVING FACILITY.
9	Section 202b(g) of the Housing Act of 1959 (12 U.S.C.
10	1701q-2(g)) is amended by striking paragraph (1) and in-
11	serting the following new paragraph:
12	"(1) the term 'assisted living facility' means a
13	facility that—
14	"(A) is owned by a private nonprofit orga-
15	nization; and
16	" $(B)(i)$ is licensed and regulated by the
17	State (or if there is no State law providing for
18	such licensing and regulation by the State, by
19	the municipality or other political subdivision in
20	which the facility is located); or
21	" $(ii)(I)$ makes available, directly or through
22	recognized and experienced third party service
23	providers, to residents at the resident's request or
24	choice supportive services to assist the residents
25	in carrying out the activities of daily living,

such as bathing, dressing, eating, getting in and our of bed or chairs, walking, going outdoors, toileting, laundry, home management, preparing meals, shopping for personal items, obtaining and taking medication, managing money, using the telephone, or performing light of heavy housework, and which may make available to residents home health care service, such as nursing and therapy, and certain health related services; and

"(II) provides separate dwelling units for residents, each of which may contain a full kitchen and bathroom and which includes common rooms and other facilities appropriate for the provision of supportive services to the residents of the facility; and".

17 SEC. 302. MONTHLY ASSISTANCE PAYMENT UNDER RENTAL 18 ASSISTANCE.

Clause (iii) of section 8(o)(18)(B) of the United States

Housing Act of 1937 (42 U.S.C. 1437f(o)(18)(B)(iii)) is

amended by inserting before the period at the end the following: ", except that a family may be required at the time

the family initially receives such assistance to pay rent in

an amount exceeding 40 percent of the monthly adjusted

- 1 income of the family by such an amount or percentage as
- 2 the Secretary deems appropriate".

3 TITLE IV—FACILITATING AF-

4 FORDABLE HOUSING PRESER-

5 **VATION TRANSACTIONS**

- 6 SEC. 401. USE OF SALE OR REFINANCING PROCEEDS.
- 7 Notwithstanding any other provision of law, in con-
- 8 nection with the sale or refinancing of a multifamily hous-
- 9 ing project, or the transfer of an assistance contract on such
- 10 a property, that requires the approval of the Secretary of
- 11 Housing and Urban Development, the Secretary shall not
- 12 impose any condition that restricts the amount or use of
- 13 sale or refinancing proceeds, or requires the filing of a fi-
- 14 nancial report, unless such condition is expressly authorized
- 15 by an existing contract entered into between the Secretary
- 16 (or the Secretary's designee) and the project owner before
- 17 the imposition of a condition prohibited by this section or
- 18 is a general condition for new financing with a mortgage
- 19 insured by the Secretary. Any such condition previously
- 20 imposed by the Secretary after January 1, 2005, shall, at
- 21 the option of the project owner, be considered void and not
- 22 enforceable, and any agreement containing such a condition
- 23 shall be rescinded and may be reissued without the void
- 24 condition.

Union Calendar No. 287

110TH CONGRESS H. R. 2930

[Report No. 110-463]

A BILL

To amend section 202 of the Housing Act of 1959 to improve the program under such section for supportive housing for the elderly, and for other purposes.

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